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Grand Jury Steps Up Inquiry Into Possible Halliburton Ties to Iran

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**BODY:**

A Halliburton controversy erupted Tuesday, fueled by a grand jury investigation into whether the oil services giant violated federal sanctions by operating in Iran while Vice President Dick Cheney was running the company.

The investigation centers on Halliburton Products and Services Ltd., a subsidiary registered in the Cayman Islands and headquartered in Dubai that provided oil field services in Iran. The unit's operations in Iran included Cheney's stint as chief executive from 1995 to 2000, when he frequently urged the lifting of such sanctions.

Numerous U.S. companies operate in Iran, but under strict guidelines requiring that their subsidiaries have a foreign registry and no U.S. employees, and that they act independently of the parent company.

At issue is whether Halliburton's subsidiary met those criteria.

The Treasury Department has been investigating the matter since 2001. But Halliburton disclosed in public financial filings this week that the department had forwarded the case to the U.S. attorney in Houston for further investigation. The company said a federal grand jury had subpoenaed documents on its Iranian operations.

The Treasury Department refers such complaints only after finding evidence of "serious and willful violations" of the sanctions law, a government official said.

Sen. Frank R. Lautenberg (D-N.J.), whose office has provided information on the case to the Treasury Department, said Tuesday that Halliburton Products and Services was a sham that existed only to circumvent the sanctions.

"It's unconscionable that an American company would skirt the law to help Iran generate revenues," Lautenberg told reporters during a conference call arranged by the campaign of

the presumed Democratic presidential nominee, Sen. John F. Kerry of Massachusetts.

Bush campaign spokesman Steve Schmidt called the allegations against Cheney baseless, and accused Democrats of trying to use Halliburton as a distraction. Cheney's office and the White House characterized the latest criticisms of Halliburton as political.

"The Democrats have made clear that their all-purpose strategy, no matter the issue, whether it's healthcare or John Kerry's plans to raise taxes or John Kerry's votes against our men and women in uniform or John Kerry's proposals to cut the intelligence budget, will be met by one word: Halliburton," Schmidt said. "The Kerry campaign has become increasingly flailing in their attacks as there has been increasing focus on John Kerry's record."

Democrats have long criticized Cheney for his connections to Halliburton, hoping to link the vice president to the company's contracts for Iraq reconstruction and its overbilling for services in that country. Cheney has denied any connection to the contracts.

The company has repeatedly found itself at the center of government investigations.

The Securities and Exchange Commission and the Justice Department are looking into allegations that top officials in a consortium that included a Halliburton subsidiary paid millions of dollars in bribes to win contracts in Nigeria. The Justice Department is also looking into reports that Halliburton officials took \$6.3 million in kickbacks in Iraq. The Pentagon is examining whether the company overcharged U.S. taxpayers by more than \$186 million for meals never served to U.S. troops abroad.

Treasury and Justice officials declined to comment on their inquiry into the Halliburton subsidiary.

Violation of the sanctions can result in criminal charges, and those found guilty can face 10 years in prison. A company can be fined as much as \$500,000.

Lautenberg said that in the Iran case, the actions taken by the Republican-controlled Justice and Treasury departments showed that the accusations against Cheney were more than political.

He noted that the grand jury investigation comes amid a flurry of questions about Iran's role in terrorism against the United States.

The independent commission investigating the 2001 terrorist attacks is expected to conclude in a report due Thursday that several of the Sept. 11 hijackers passed through Iran on their way to the United States.

Lautenberg's office distributed copies of four letters from 1997 sent from a London arm of the Iranian state oil company to Halliburton Products and Services in Dubai.

The four letters, all requests for goods and services from the Halliburton subsidiary, included handwritten notations to specific individuals. Lautenberg's staff questioned whether the individuals worked for the foreign subsidiary or for a U.S. subsidiary, in violation of the sanctions.

Halliburton confirmed the authenticity of the documents, but said that two of the individuals were British citizens who had never worked for any U.S. Halliburton subsidiary.

The other two handwritten notations did not list first names of the individuals, and Halliburton said it was unable to locate records for them.

"These documents do not suggest that any violation of the applicable regulations occurred," Halliburton spokeswoman Wendy Hall said in a statement.

Hall said Halliburton's business in Iran had not violated any sanctions, and pledged full cooperation with the government's inquiry.

"It is important to understand, especially in the current political environment, that this is not a condemnation of the company, but a method of further studying the facts," Hall said of the grand jury subpoena. "We welcome a thorough review of any and all of the company's business."

The law forbids U.S. companies from doing business with countries considered by the U.S. government to be sponsors of terrorism. The list includes Iran, North Korea, Cuba and Sudan.

An executive order signed by President Clinton in 1995 specifically prohibits U.S. firms from activities that would benefit the Iranian petroleum industry. The order accuses Iran of sponsorship of international terrorism, undermining the Middle East peace process and developing weapons of mass destruction.

Development of petroleum resources, Clinton said at the time, "would provide new funds that the Iranian government could use to continue its current policies."

**Halliburton's Iran** operations are virtually all related to oil and gas, and generated at least \$39 million in revenue last year, the company said.

The policy allowing U.S. firms to indirectly operate in prohibited countries has come under increasing attack.

One leading critic is New York City Comptroller William C. Thompson Jr., a Democrat who oversees the city's pension fund. He has launched an effort to persuade Halliburton and other firms he invests in to cut all ties to countries that sponsor terrorism.

A January report by CBS' "60 Minutes" featured Thompson and raised questions about the Halliburton subsidiary that does business in Iran.

In that report, a CBS reporter traveled to the company's Cayman Islands operations, only to find no such company there. Instead, the building is owned by a local bank.

A bank employee told the reporter that when mail arrived for the Halliburton subsidiary, it was forwarded directly to Houston.

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